

Tenth Annual Finance Conference

Basic Allowance for Housing


**Renaissance Cleveland
Hotel**

**Tower City Center
Cleveland, Ohio**

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Basic Allowance for Housing



- **Culmination of multiyear reform effort**
- **DoD and the Uniformed Services**
- **Replaces BAQ plus VHA**
- **Designed to solve problems of VHA**

BAH Results

- **Fairer, more accurate cost measurement**
- **Price-based standards vs. member spending**
- **Ends creeping growth in out-of-pocket cost**
- **Ensures geographic/ pay grade equity**
- **Protects individuals from loss**

BAH Survey Process

Commitment to Quality and Accuracy

- **Collect information from neighborhoods within reasonable commute**
- **Consider typical income of neighborhoods**
- **Avoid bias by excluding improper profiles**
- **Cross-check using independent data**
- **Consult Services, local housing offices**
- **Conduct on-site visits**

BAH Data Collection

- **Approximately 400 geographic locations across the 50 United States**
- **Six separate housing profiles**
 - Apartments, townhomes/duplexes, single family
- **Average of 29 observations for each profile**
- **Newspapers, yellow pages, real estate professionals, SVC housing referral offices**

BAH Survey Process

- **Build profile data**
- **Randomly select units for survey**
- **Screen out non-matching data, determine included features (utilities, incentives, etc.)**
- **Develop median rental cost**
- **Add average utility and insurance**
- **Determine median housing cost**
 - Rent, Utilities, Insurance

BAH Calculation

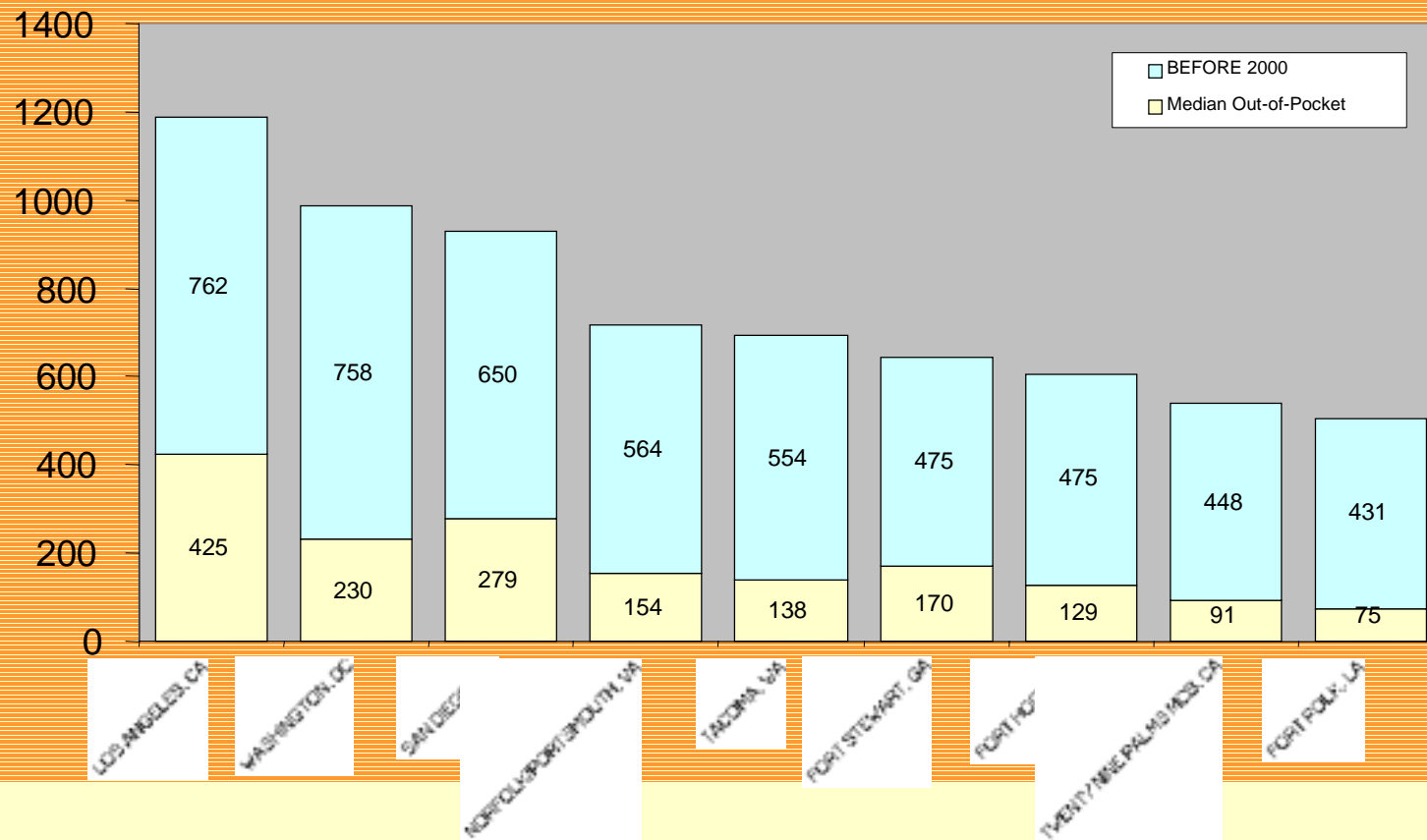
For a typical E-4 W/dep
Wright Pat and San Diego

	<u>Ohio</u>	<u>California</u>
A: Local Med HC:	\$599	\$929
B: Nat Med HC:	\$743	\$743
C: Out-of-pocket:	\$139	\$139
(B*18.8%)		
D: BAH = A-C =	\$460	\$790

Equalizes dollar amount out-of-pocket

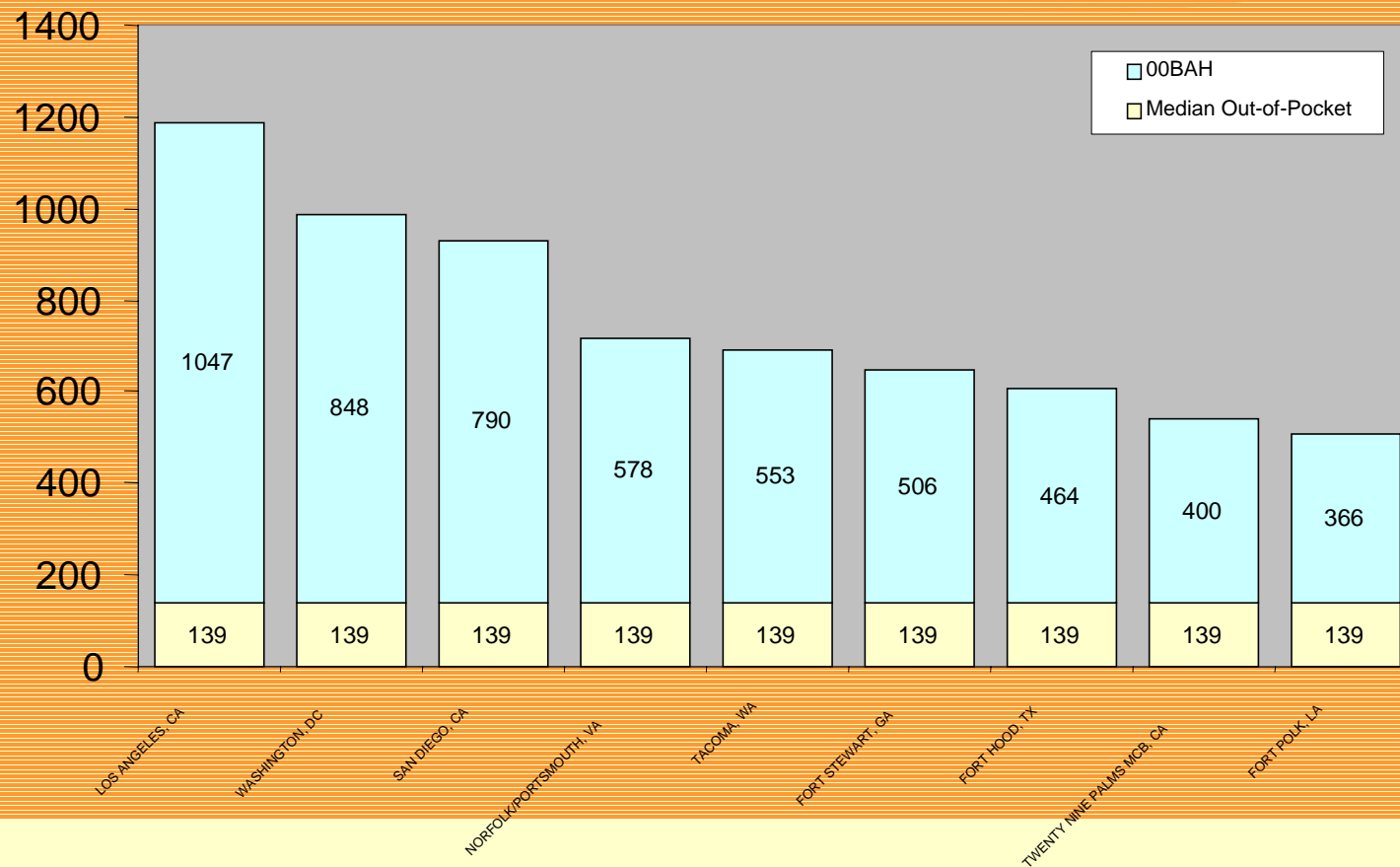
The Problem Before: Out-of-Pocket Dollars

**BEFORE--Old System Did Not Equalize \$ Out-of-Pocket: E-4 With
Dep**



Correction: BAH Equalizes Out-of-Pocket Dollars

AFTER--2000 BAH Equalizes Dollars Out-of-Pocket: E-4 With Dep



Production Schedule

... Hindsight is 20/20

Timeline of 2000 BAH Rate Development

	BAH Data Collection									
Site Visits	Site Visits	Site Visits	Site Visits			Site Visits				Site Visits
					Rate Development / Quality Control					
							Brief Services QC (Cont.)			
								Service Approval		
									SecDet Hsng Init Anncemnt	
Apr 1999	May 1999	Jun 1999	Jul 1999	Aug 1999	Sep 1999	Oct 1999	Nov 1999	Dec 1999	Jan 2000	Feb 2000

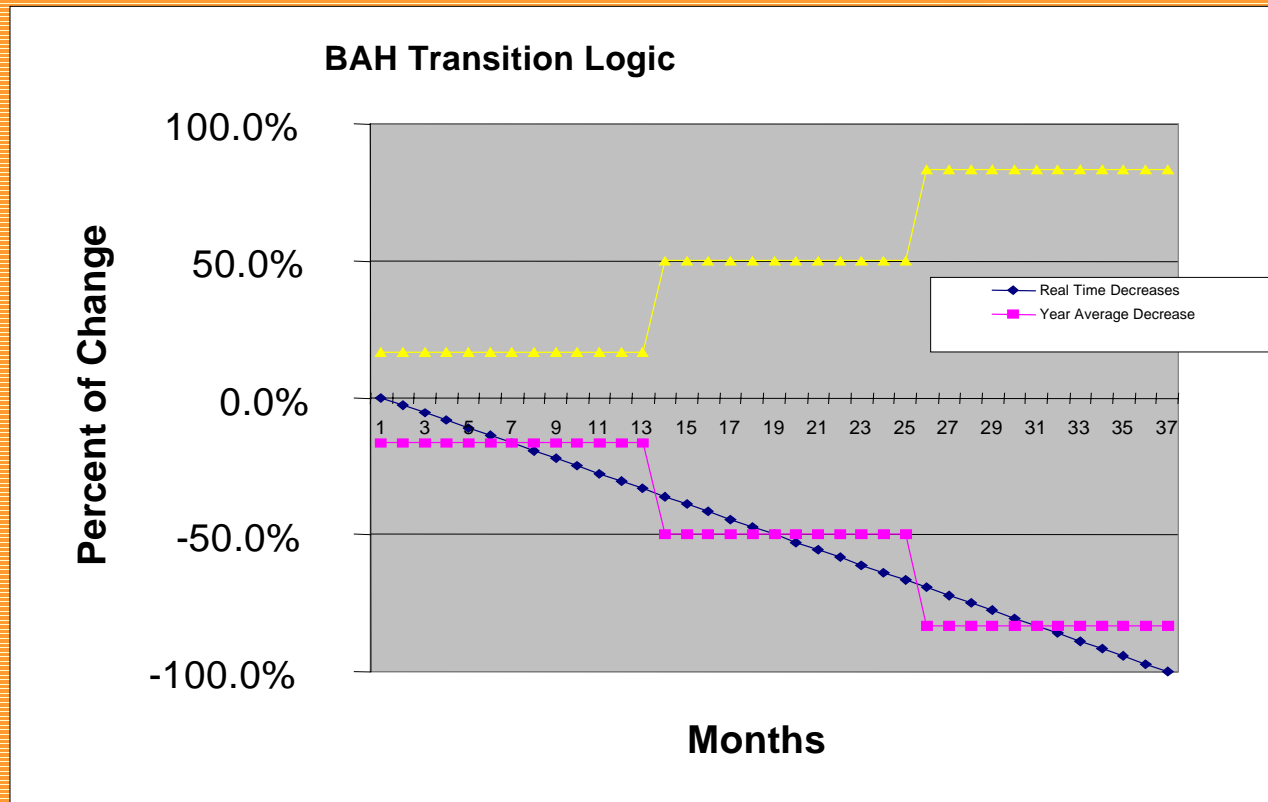
Recent BAH Developments

- **FY-00 addition of \$225M allowed rate transition in one year**
- **Rate protection resulted in different allowances**
- **SecDef announced plan to eliminate average out-of-pocket expenses**
- **Reports from the field cited inadequate rates for adequate housing**
 - Median profiles in Pacific Northwest did not match what was considered desirable
 - However, the profile matches for D.C. are good

Recent BAH Developments

- **Rate protection (1999 rates) extended to all areas where rates decreased in 2000**
- **Effective March 1, 2000**
 - Retroactivity pending with Congress
- **In process of refining survey criteria**

BAH Transition Logic



Out-of-Pocket By Grade

BAH 2000 Median Dollar Amount of Monthly Out of Pocket Expense

PG	With Deps	Without Deps	PG	With Deps	Without Deps	PG	With Deps	Without Deps
E-1	\$130	\$110	W-1	\$176	\$138	O-1	\$156	\$130
E-2	\$130	\$110	W-2	\$191	\$158	O-2	\$175	\$150
E-3	\$130	\$110	W-3	\$205	\$165	O-3	\$205	\$168
E-4	\$139	\$110	W-4	\$216	\$178	O-4	\$232	\$187
E-5	\$154	\$124	W-5	\$227	\$189	O-5	\$252	\$194
E-6	\$175	\$132	O-1E	\$188	\$154	O-6	\$254	\$205
E-7	\$186	\$143	O-2E	\$203	\$163	O-7	\$256	\$209
E-8	\$198	\$158	O-3E	\$217	\$175			
E-9	\$213	\$165						